



State of New Jersey

DEPARTMENT OF THE TREASURY
DIVISION OF PURCHASE AND PROPERTY
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March 16, 2004

To: All Interested Bidders

Re: RFP #: 04-X-36752

Auditing Services, NJ Environmental

Infrastructure Trust

Bid Due Date: **March 25, 2004** (2:00 p.m.)

ADDENDUM #2

The following constitutes Addendum #2 to the above referenced solicitation. This addendum is divided into the following parts:

Part 1: Answers to questions.

Part 2: Additions, deletions, clarifications and modifications to the RFP

It is the bidder's responsibility to ensure that all changes are incorporated into the original RFP.

All other instructions, terms and conditions of the RFP shall remain the same.

Sincerely,

Christine Weiland

Christine Weiland

Team Leader

Purchase Bureau

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PART 1
Auditing Services, NJ
Environmental Infrastructure Trust
Bid Number 04-X-36752

Questions were submitted by the following firms:

- Mercadien, P.C., CPAs, Hamilton, New Jersey
- O'Connor & Drew, P.C., Quincy, Massachusetts
- Haefele, Flanagan & Co., p.c., Moorestown, New Jersey
- Weeks Holderbaum DeGraw & Nadkarni, LLP, Bridgewater, New Jersey

Answers to Questions

Note: Some of the questions have been paraphrased in the interest of readability and clarity. Each question is referenced by the appropriate RFP page number(s) and section where applicable.

#	Page #	RFP Section Reference	Question	Answer
1.	8	1.2.1	Does the Trust receive a SAS 70 Service Auditors' report regarding the services provided by the "Master Program Trustee" and the "Loan Servicer"?	This information is not available.
2.		1.3.1.1	Will the names of individuals and/or firms that issue questions be identified.	This information is provided at the top of the questions and answers.
3.	15	1.3.3	Who prepares the financial statements and notes to the financial statements. Also, what support does the accounting staff of the Authority provide for schedules and other worksheets required by the auditor.	NJEIT staff prepares the financial statements and notes. Schedules provided by NJEIT staff are: Chart of accounts Draw Schedules Loan Repayment Schedules List of bills paid by operating funds Interest Payable and Interest Expense schedule Original Issue Discount amortization schedule Gain/Loss on Bond Refundings amortization schedule Gain/Loss on Loan Refundings amortization schedule Prepaid Trustee Fees Schedule Fixed Asset/Depreciation Schedule Administrative Fee Schedule Interest Income and Receivable Schedule Loan Receivable Schedule Investment Schedule Bonds Payable Schedule Cash flow statement
4.		3.1.2	Does the Trust have an organizational chart and resumes on key financial personnel?	This information is not available.
5.		3.1.3	Are separate detailed general ledgers maintained for each bond issuance, the Clean Water Fund, and the Drinking Water Fund?	There is one general ledger but the information could be stripped from the system for each issue.
6.		3.1.3	How many cash and cash equivalent accounts are maintained by Trust?	485
7.		3.1.3	How many Loan Receivable accounts are	56

#	Page #	RFP Section Reference	Question	Answer
			outstanding?	
8.		3.1.3 (iv) and (v)	Are these statements to be made within the actual financial statements or are these done in a separate report?	Individual statements are prepared each month and certain statements are combined under specific categories.
9.	15	3.1.4	What was the prior fee for the comfort letters.	Comfort letters were considered part of the contract cost therefore, no additional fee was paid for comfort letters under the prior contract.
10.	15	3.1.6	What was the prior fee for verification services.	A fee for verification services has not been paid since 1996. Therefore, this information is not available.
11.	15	3.1.5	Please provide a copy of year end June 30, 2003 management letter.	This information is not available. No letter has been done in several years.
12.	19	3.7	What was the extent of litigation support services provided by the auditor in the past contract. (fees and hours).	NJEIT has never needed litigation support services.
13.	25	4.4.4	What was contract price for each of the last 3 years for: Audit total fee, comfort letter, verification fee	FY2001 Audit-36,000 Expenses-4,000 Hours 312 FY2002 Audit-38,000 Expenses-4,500 Hours 280 FY2003 Audit-38,000 Expenses-4,500 Hours 215
14.	31	6.4	When will contract be awarded	The target date for contract award is May 1, 2004.
15.			Who were the prior audit firm(s) for the last 3 fiscal years?	Ernst and Young has had the contract for the last four years.
16.			What amounts have been budgeted/planned for these services over the next 3 fiscal years?	This information is not available.
17.			Are there any matters of disagreement or dispute with the incumbent audit firm(s)?	There are some outstanding questions at this time.
18.			To what extent will the audit services procured under this RFP be federally funded?	There are no federal funds involved.
19.			Is page 16 of the RFP intentionally left blank and/or is Section 3.1.6 supposed to continue on that page.	Page 16 is a typo and is not to be used.
20.		4.4.3	Are the partner and the manager required to have a New Jersey issued CPA license or will a CPA certificate in another State be sufficient?	A New Jersey issued CPA license is required for the positions of Partner and Manager in accordance with the RFP specifications.
21.			Are copies of prior years' financial statements available.	Copies can be requested from NJEIT for a fee by calling 609-219-8600.
22.			Please provide us with a copy or access to the prior winning bid proposal document.	Copies can be requested from NJEIT for a fee by calling 609-219-8600.
23.			Please provide the number of days and how many staff were at the Trust office for the prior year audit.	Two staff for approximately three weeks.
24.			Can interim audit work be performed in May and June.	Interim audit work can start upon contract award. NJEIT does a large bond deal in November but work in May and June would be acceptable.
25.			Is previous audit firm eligible to propose on this engagement?	Yes

PART 2
Auditing Services, NJ
Environmental Infrastructure Trust
Bid Number 04-X-36752

Additions, Deletions, Clarifications and Modifications to the RFP

#	Page #	RFP Section Reference	Additions, Deletions, Clarifications and Modifications
	22	4.4.3	<p>Change 4.4.3 Section 3 – Organizational Support and Experience to read:</p> <p>The bidder should include information relating to its organization, personnel, and experience, including, but not limited to, references, together with contact names and telephone numbers, evidencing the bidder's qualifications, and capabilities to perform the services required by this RFP. The bidder's proposed personnel must have all the experience, academic degrees, licenses or professional certifications as specified in this RFP at the time of bid submission. Failure to propose personnel that have the required experience, academic degrees, licenses or professional certifications at the time of bid submission shall render the bid non-responsive to the bid submission requirements and the bidder ineligible for contract award.</p>
	28	5.15	<p>Change 5.15 Licenses and Permits to read:</p> <p>The contractor shall obtain and maintain in full force and effect all required licenses, permits, and authorizations necessary to perform this contract. All licenses, academic degrees and certifications that relate to the qualifications of personnel must be held at the time of bid submission and must continue to be valid and unrestricted for the duration of the contract. The contractor shall supply the State Contract Manager with evidence of all such licenses, permits and authorizations. This evidence shall be submitted subsequent to the contract award. All costs associated with any such licenses, permits and authorizations must be considered and included in the bid proposal.</p>
	30	6.3.1	<p>Change 6.3.1 The Bidder's General Approach and Plans in Meeting the Requirements of this RFP, D to read:</p> <p>D. The qualifications and experience of the bidder's management, supervisory or other key personnel assigned to the contract, with emphasis on documented experience in successfully completing work on contracts of similar size and scope to the work required by this RFP. Failure by a bidder to propose personnel that have required experience, academic degrees, licenses or professional certifications at the time of bid submission shall render the bid non-responsive to the bid submission requirements and the bidder ineligible for contract award.</p>

#	Page #	RFP Section Reference	Additions, Deletions, Clarifications and Modifications
	29	5.23	<p>Add Section 5.23 <u>MODIFICATIONS AND CHANGES TO THE STANDARD TERMS AND CONDITIONS</u></p> <p>Section 2.1 of the State's Standard Terms and Conditions is deleted and replaced with the following:</p> <p>2.1 Patent and Copyright Indemnity</p> <p>a. The Contractor shall hold and save the State of New Jersey, its officers, agents, servants and employees, harmless from liability of any nature or kind for or on account of the use of any copyrighted or uncopyrighted composition, secret process, patented or unpatented invention, article or appliance furnished or used in the performance of the contract.</p> <p>b. The State of New Jersey agrees: (1) to promptly notify the Contractor in writing of such claim or suit; (2) that the Contractor shall have control of the defense of settlement of such claim or suit; and (3) to cooperate with the Contractor in the defense of such claim or suit, to the extent that the interests of the Contractor and the State are consistent.</p> <p>c. In the event of such claim or suit, the Contractor, at its option, may: (1) procure for the State of New Jersey the legal right to continue the use of the product; (2) replace or modify the product to provide a non-infringing product that is the functional equivalent; or (3) refund the purchase price less a reasonable allowance for use that is agreed to by both parties.</p>
	29	5.23	<p>5.23.1 INDEMNIFICATION</p> <p>Section 2.2 of Appendix 1, the New Jersey Standard Terms and Conditions, is <u>deleted</u> and <u>replaced</u> with the following:</p> <p>2.2 Indemnification</p> <p>The contractor's liability to the State for actual, direct damages resulting from the contractor's performance or non-performance, or in any manner related to the contract, for any and all claims, shall be limited in the aggregate to 400 % of the value of the contract, except that such limitation of liability shall not apply to the following:</p> <ol style="list-style-type: none"> 1. The contractor's obligation to indemnify the State of New Jersey and its employees from and against any claim, demand, loss, damage or expense relating to bodily injury or the death of any person or damage to real property or tangible personal property, incurred from the work or materials supplied by the contractor under the contract caused by negligence or willful misconduct of the contractor; 2. The contractor's breach of its obligations of confidentiality; and, 3. Contractor's liability with respect to copyright indemnification. <p>The contractor's indemnification obligation is not limited by but is in addition to the insurance obligations contained in Section 2.3 of the Standard Terms and Conditions.</p> <p>The contractor shall not be liable for special, consequential, or incidental damages.</p>

#	Page #	RFP Section Reference	Additions, Deletions, Clarifications and Modifications
	29	5.23	<p>Add Section 5.23.2 <u>INSURANCE - PROFESSIONAL LIABILITY INSURANCE</u></p> <p>Section 2.3 of Appendix 1, the State of New Jersey Standard Terms and Conditions regarding insurance is modified with the addition of the following section regarding Professional Liability Insurance. <u>Add</u> the following to Section 2.3 of Appendix 1</p> <p>d) Professional Liability Insurance: The Contractor shall carry Errors and Omissions, Professional Liability Insurance and/or Professional Liability Malpractice Insurance sufficient to protect the Contractor from any liability arising out the professional obligations performed pursuant to the requirements of the Contract. The insurance shall be in the amount of not less than \$5,000,000 and in such policy forms as shall be approved by the State. If the Contractor has claims-made coverage and subsequently changes carriers during the term of the Contract, it shall obtain from its new Errors and Omissions, Professional Liability Insurance and/or Professional Malpractice Insurance carrier an endorsement for retroactive coverage.</p>